

## **New Republican Plan Offers More of the Same: PRIVATIZES Social Security, RAIDS the Trust Fund, and WEAKENS Social Security**

Republicans have unveiled what they say is a new approach to Social Security. But it really is no different from other privatization proposals. It would take a portion of Social Security Trust Fund revenues and put them into private accounts.

That's privatization – it doesn't matter whether the total size of the accounts is limited to the amount of each year's Social Security surplus rather than a percentage of participants' payroll taxes. What matters is that the money to fund the accounts is taken out of Social Security.

**Unmasks GOP Agenda – Privatization Only.** The proposal would create private accounts, financed by diverting money out of Social Security. It includes no provisions to address Social Security solvency. This unmasks the true GOP goal: privatization only, with no pretense of strengthening Social Security for future retirees.

**Still Raids Social Security Trust Fund.** Republicans claim the plan is a new “lockbox” that prevents the use of Social Security funds for other programs. That is flat out wrong. The proposal requires that the private accounts invest in Treasury bonds. So, the government would still spend the Social Security surplus and issue Treasury bonds in the same amount. The only difference from current law is that – after the money has been spent on other programs – the bonds would be sitting in private accounts rather than in the Social Security Trust Fund. When asked how the government would fund the programs now being funded by Social Security money, Social Security Subcommittee Chairman McCrery responded that the cash can still be used the way it is now. In other words, the raid would continue just as it does today – Social Security payroll taxes will be used to pay for other programs.

**Weakens Social Security.** The new plan actually harms Social Security by emptying the Trust Fund sooner than current law. Every “surplus” dollar put into the trust fund is already earmarked to pay future benefits. There is no way to divert some of those dollars to private accounts – as they say they are doing – without weakening Social Security. They may offer a gimmick, like double-counting the surplus or borrowing to fill the hole, but absent such gimmicks the plan worsens solvency.

**Still Has Benefit Cuts.** By taking money away from Social Security, the plan would force deeper benefit cuts in the future for everyone. And, just like the Bush plan, it appears to include a privatization tax that would cut benefits even more for people who open an account.

**Relies on Gimmicks.** The plan relies on Social Security's temporary annual surpluses to fund private accounts, a funding source that disappears in about a decade. It is hard to imagine that the accounts would disappear then. Just like the tax cuts, Republicans want to make a permanent change but propose a temporary one to hide its full costs, and pass the bill to a future Congress and future generations. Sketchy details and inconsistent descriptions of the plan suggest other gimmicks are included and will emerge in coming days.

**The Plan is Nothing New.** The “new” GOP plan would create private accounts much like the President's accounts. It would pay for them by diverting money now dedicated to Social Security, just like the President. And it would force Social Security benefit cuts, just like the President.